GAMCO Mathers Fund

Shareholder Commentary
June 30, 2017

Henry G. Van der Eb, CFA

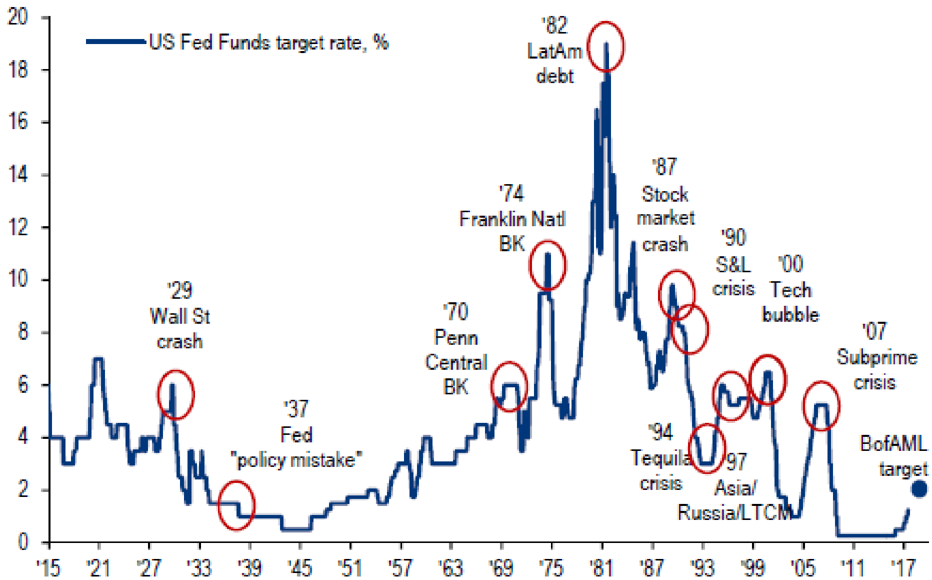
To Our Shareholders,

Fed tightening cycles typically end with a financial crisis 'event' as shown below. Volatility is at a record low. The Fed is tightening just as the QE 'liquidity supernova' is ending and other central banks are next.

The Bank of Japan's purchases of exchange-traded funds are distorting the market, Japan Exchange Group Inc. CEO Akira Kiyota said last week in Tokyo. BOJ Governor Kuroda's program of spending 6 trillion yen ($54 billion) a year on the funds artificially depresses volatility, which keeps people from trading, said Kiyota, who was previously more supportive of the policy. "It's not good in the long run if you keep buying 6 trillion yen a year, that means constant distortion." Bloomberg, July 20, 2017

The decade ending December 31, 2009 was unique in two respects. According to Standard & Poor's data starting in 1927, the 2000s was the first negative total return decade as the S&P 500 Index lost 9.11% over this period. The second is that two major bear markets occurred, each hammering the S&P 500 with 50% declines, one lasting from March 2000 to October 2002, and the other from October 2007 to March 2009. A powerful bear market in stocks that could take the S&P 500 down at least fifty percent is looming.

Fed tightening cycles typically end with an 'event'…



Source: BofA Merrill Lynch Global Investment Strategy, Global Financial Data, Bloomberg

Investment Performance and Portfolio Highlights

The GAMCO Mathers Fund total return for the six months ended June 30, 2017 was (11.44)% versus 9.34% for the S&P 500 Index. At quarter end, the gross equity exposure was 49.71% (longs plus shorts), comprised of 0.00% long and 49.71% in short positions, with an 49.71% net short exposure (longs minus shorts). The remainder of the portfolio, as has been the case for an extended time period, was invested in short-term U.S. Treasury bills and U.S. Treasury collateralized repurchase agreements. The short stock portfolio segment had a negative return for the quarter and the fixed income segment had a positive return. There were no merger arbitrage positions during the quarter. Historically low short-term U.S. Treasury bill yields have disadvantaged the Fund's overall performance. The Fed raised the federal funds target range to 0.50 to 0.75 percent in December 2016 and to 1.00 to 1.25 percent on June 14, 2017.

The Fund completed 51 years of operation during 2016 and since inception through December 31, 2016 its average annual total return was 6.29% versus 9.81% for its benchmark S&P 500 Index. During the 2008-09 credit crisis, the Fund's risk averse position preserved capital and outperformed the S&P 500 for the two, three, five, and ten year periods ended December 31, 2009. The Fund had positive returns for the one, two, three, five, and ten year periods ended December 31, 2008 versus the S&P 500, which had negative returns for each of those periods. Due to its high cash position, the Fund took substantially less risk and earned higher returns during those periods than a fully invested S&P 500 index fund.

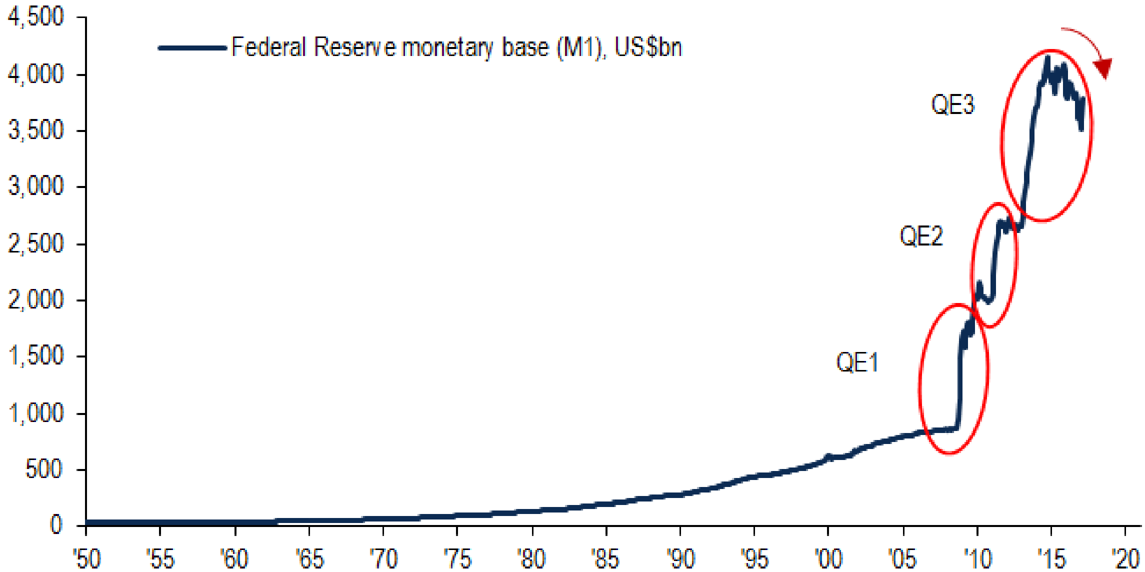
The Fund's gross and net equity exposures and positions may vary significantly from week to week in an effort to control portfolio volatility under various market conditions. Accordingly, the quarter-end data may not be indicative of the gross and net equity exposures that precede and follow each reporting period.

A portion of the Fund's long common stock segment may be invested in takeover target companies subject to all cash tender or merger offers from an acquiring entity. Deal arbitrage stocks typically earn relatively attractive annualized returns, but are held for short time periods. The inherent risk of this investment strategy is if the announced merger or acquisition is not completed, or is renegotiated at a less attractive price, or does not close on the expected date, the price of the security may fall.

Since the SEC's portfolio turnover formula excludes fixed income securities with maturities of less than one year and short sale activity from its denominator, the Fund's turnover rate may appear very high, which can be misleading. This has been the case in some prior years when the Fund's U.S. Treasury bill position was a very high proportion of assets and had a maturity of less than one year, while the average month end dollar value of long stock positions (the denominator) was negligible and long positions were held for short time periods. This may occur in 2017 and beyond as cash positions are used to control risk.

The GAMCO Mathers Fund performance for the 1-year, 5-year and 10-year periods ended June 30, 2017, was (19.53)%, (10.82)%, and (6.69)%, respectively. The expense ratio reported in the April 30, 2017 prospectus was 4.60% and includes dividend and interest expenses on securities sold short of 2.36%.
Average annual returns reflect changes in share price and reinvestment of dividends and are net of expenses. ***Returns represent past performance and do not guarantee future results.*** *Investment returns and the principal value of an investment will fluctuate. When shares are redeemed they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. The Standard & Poor's 500 Index is an unmanaged indicator of stock market performance. Please visit www.gabelli.com to obtain performance information as of the most recent month end. Short selling of securities poses special risks and may not be suitable for certain investors. Short selling is the sale of a borrowed security and losses are realized if the price of a security increases between the date the security is sold and the date the Fund replaces it.*

U.S. Federal Reserve 'liquidity supernova' is ending…



Source: BofA Merrill Lynch Global Investment Strategy, Federal Reserve

Perfect Timing

The Fed and other large central banks are at various stages of withdrawing monetary stimulus put in place after the financial crises of 2008-9. This 'normalization' of monetary policy is effected by raising interest rates and reducing the size of their balance sheets by stopping purchases or selling securities.

Ethan Harris, Global Economist for Bank of America Merrill Lynch wrote the following excerpt in a July 14 piece titled *Reloading for the Next Recession*:

The major central banks seem to have settled onto relatively comfortable preset paths.

The Fed has been looking through recent weak inflation readings, hiking at the last three press conference meetings, continuing to promise three hikes per year going forward and signaling a largely predetermined path for balance sheet shrinkage.

The ECB seems to have accepted the idea that it must taper bond buying to avoid violating its self imposed rules for sovereign bond purchases. This implies a fairly narrow path for its balance sheet policy.

The BOJ has said it will maintain its current yield curve control until inflation rises above the two percent target on a sustained basis - that seems a long way off.

Finally, China's PBOC seems determined to continue to crack down on easy credit even if it slows the economy down. No wonder market volatility is so low.

Stay tuned…

Henry Van der Eb

July 30, 2017

President and Portfolio Manager

Tax Loss Carryforwards Offset Capital Gains

The Fund's tax loss carryforwards from prior years are expected to at least partially offset any net realized portfolio capital gains in the future until the current carryforwards are either used up or expire. Tax losses incurred in fiscal years beginning 2011 have no expiration, but must be utilized first.

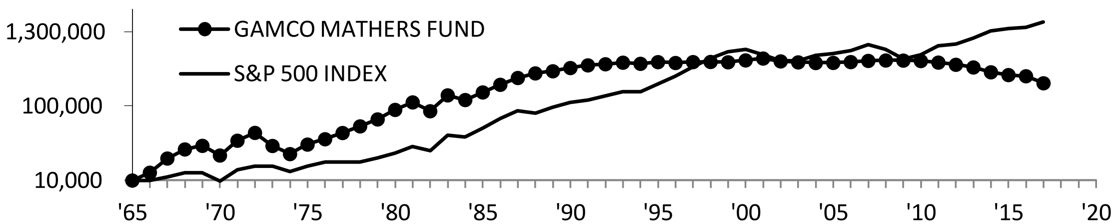
www.gabelli.com

Please visit us on the Internet. The Gabelli home page at www.gabelli.com contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 403(b)s, quarterly reports, closing prices and other current news. You can e-mail us at info@gabelli.com.

Minimum Initial Investment

The Fund's minimum initial investment is $1,000 for regular and $250 for all retirement accounts, with no subsequent investment minimums. No initial minimum is required for accounts starting an Automatic Investment Plan. The Fund and other Gabelli/GAMCO Mutual Funds are available through no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold within 7 days of a purchase. See the Fund's prospectus for more details.

GROWTH OF $10,000 INVESTMENT IN GAMCO MATHERS FUND **(Log Scale)**



Percent Average Annual Total Returns through June 30, 2017*

	1 YR	5 YRS	10 YRS	20 YRS	30 YRS	51 YRS †
GAMCO MATHERS	(19.53)	(10.82)	(6.69)	(3.22)	(0.54)	5.97
Standard & Poor's 500	17.90	14.63	7.18	7.16	9.59	9.90

The expense ratio is 4.60% (please see note on page 2) † From start of investment operations on August 19, 1965

** Average annual total returns reflect changes in share price and reinvestment of dividends and are net of expenses. Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Please visit www.gabelli.com to obtain performance information as of the most recent month end. The Standard & Poor's 500 Index is an unmanaged indicator of stock market performance.* ***Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus and summary prospectus contain more information about this and other matters and should be read carefully before investing.*** *To obtain a copy of the prospectus or summary prospectus, call 800-GABELLI (800-422-3554) or visit www.gabelli.com. Distributed by G.distributors, LLC.*

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